

Message Text

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EXDIS

FROM AMBASSADOR AKINS

E.O. 11652: GDS

TAGS: PFOR, ENRG, SA, US

SUBJ: YAMANI'S VIEWS ON THE FUTURE OF ARAMCO

1. AHMAD ZAKI YAMANI, SAUDI MINISTER OF PETROLEUM, TOLDME INGENEVA YESTERDAY THAT HIS LONG AWAITED DISCUSSION WITH THE ARAMCO OFFICIALS WAS SHORT AND SOUR. TAVOLEREAS OF MOBIL AND GARVIN OF EXXON HAD COME TO SAUDI ARABIA BUT THEY PRESENTED NO NEW PLAN, NOT EVEN A NEW IDEA--NOTHING, HE SAID, BUT AN OFFER TO DISCUSS BUY-BACK PRICES.

2. YAMANI SAID HE INTENDED TO DO NOTHING MORE. SAUDI ARABIA WILL LIVE WITH THE GO-40 ARRANGEMENT UNTIL KUWAIT NATIONALIZES. IRAN WILL THEN AUTOMATICALLY GET THE SAME INCOME PER BARREL; QATAR AND ABU DHABI WILL FOLLOW AND "IT WILL BE IMPOSSIBLE FOR SAUDI ARABIA TO CONTINUE THE ORL ARRANGEMENTS".

3. HE SAID THE PRESENT COMPANIES WOULD STILL STAY, BUT IT WILL "NOT BE AS FAVORABLE FOR THEM AS THE ARRANGEMENT COULD WE COULD HAVE WORKED OUT NOW."

4. YAMANI THOUGHT THAT IF THE MATTER HAD BEEN LEFT TO MOBIL AND EXXON A NEW AGREEMENT COULD HAVE BEEN REACHED. BUT WITH STRONG OPPOSITION FROM TEXACO AND SOCAL, THIS WAS HOPELESS.

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5. COMMENT: IT IS UNLIKELY THAT ANY OF THIS IS NEW TO THE COMPANIES, AND THEY MAY BELIEVE YAMANI IS BLUFFING. I DON'T. NOR DO I THINK COMPANY INTRASIGENCE IS IN THEIR OWN INTEREST, BUT THEY WILL MAKE THEIR OWN DECISION ON THIS. I FEAR, HOWEVER, THAT NATIONALIZATION OF ARAMCO MIGHT ALSO NOT BE IN THE US' NATIONAL INTEREST. IF SAUDI ARABIA NATIONALIZES, BI-LATERAL RELATIONS WOULD BE ADVERSELY AFFECTED; THERE COULD BE MUTUAL ACRIMONY. THE SAUDIS WOULD TURN TO OTHERS TO OPERATE THE FIELDS, IF THE ARAMCO PARENTS REFUSED, OR THEY WOULD TRY RUNNING THEM THEMSELVES. IN EITHER CASE EFFICIENCY WOULD BE REDUCED AND SAUDI PRODUCTION COULD DECLINE.

6. I AM NOT ASKING THAT THIS BE TAKEN UP ONCE AGAIN WITH THE COMPANIES; IT PROBABLY WOULDN'T BE WORTHWHILE. I THINK YAMANI WOULD LISTEN TO THEM IF THEY WERE TO COME OUT IMMEDIATELY WITH A NEW OFFER, BUT I AM NOT EVEN SURE OF THIS.

7. THERE COULD BE A BRIGHTER SIDE, OF COURSE. WITH ALL SAUDI OIL IN SAUDI HANDS, THE ADVANTAGE THE MAJOR OIL COMPANIES NOW ENJOY WOULD BE LOST, AND THE INDEPENDENT OIL COMPANIES WOULD BENEFIT. THE VEXATIOUS DOUBLE-TAXATION PROBLEM WOULD ALSO BE ENDED; PROFITS WOULD HAVE TO BE MADE DOWNSTREAM WHERE THEY WOULD BE TAXABLE. THERE MIGHT EVEN BE A NEW ELEMENT OF COMPETITION INSERTED INTO THE INTERNATIONAL OIL MARKET. ALTHOUGH, AS YOU KNOW, I THINK IT WOULD BE FOLLY FOR US TO COUNT ON THIS HAPPENING.DALE

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